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Governor may be right in saying Kentucky not getting its fair share

Most politicians in Frankfort consider that $750 million the state has received as its share of the 1998 national tobacco settlement agreement as something of a lucrative and painless source of revenue - a gift from cigarette manufacturers.

But Gov. Ernie Fletcher thinks Kentucky is not getting its fair share from the agreement, and he wants the state to withdraw from the agreement in favor of a direct tax on cigarette manufacturers. The governor says his plan will generate an additional $120 million a year in revenue for the state.

Fletcher's proposal has pitted cigarette manufacturers that are part of the national agreement against those that are not part of the agreement. That's unusual as tobacco companies traditionally have been united in Frankfort, and legislators in this tobacco-friendly state have catered to their wishes.

Fletcher is right in his contention that Kentucky is not receiving its fair-share from the national agreement. That's because the agreement distributes money based on the population of states, not the number of smokers it has.

Because Kentucky has the nation's highest percentage of smokers, the governor rightly reasons that those smokers are paying more to support the national agreement. In fact, the governor believes Kentucky smokers are paying more to finance the tobacco settlement than the state is receiving from the agreement.

Fletcher is proposing the state drop out of the agreement and impose an additional $4 per carton tax on cigarettes sold in Kentucky.

Cigarette manufacturers that are part of the national agreement promise a fierce legal battle if legislators adopt Fletcher's plan. They also claim Kentucky would have to pay back the $750 million it has received from the national settlement, but that seems doubtful. Kentucky may be changing the rules in midstream, but that doesn't mean the state should have to forfeit what it's already received.

In the end, legislators must ignore the threats and scare tactics of tobacco companies on both sides of this issue and do what is best for Kentucky. They must carefully weigh both the benefits and risks of withdrawing from or altering the national agreement and do the right thing.

It is a complex issue, but Fletcher is on the right track. Kentucky can ill-afford to send revenue to California, New York and other states as part of the national agreement.

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